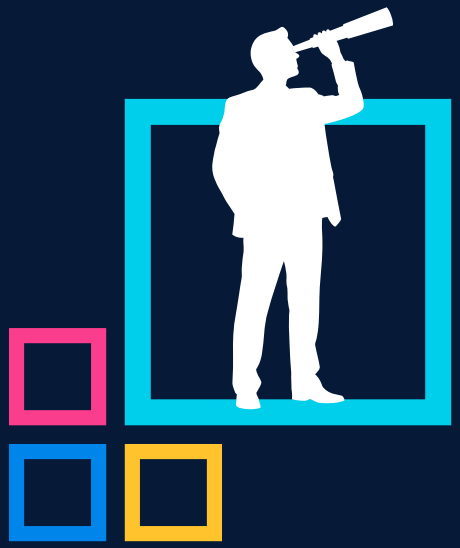
T.RowePrice

Global Asset Allocation Viewpoints: Europe

Higher yields bring duration close to neutral

November 2026



How we're positioned

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Equities

Underweight | Neutral | **Overweight** ▼

Earnings support a modest overweight

- Resilient economic growth and broadening earnings continue to support equities.
- Significant artificial intelligence (AI)-related investment remains a key driver of economic growth and corporate profits.
- A prolonged Middle East conflict keeps energy prices and inflation elevated, potentially prompting further Federal Reserve (Fed) and European Central Bank (ECB) tightening.
- Elevated valuations and increasing dependence on AI-driven growth warrant some caution.

Bonds

Underweight ▼ | Neutral | Overweight

A more balanced view on rates

- Maintain an overall underweight to bonds, primarily concentrated in European government bonds and emerging market debt.
- Increased duration by adding to U.S. investment grade bonds following the sharp rise in yields.
- Reduced emerging market debt to an overall underweight to fund the additions to high-quality U.S. and European bonds.

Cash

Underweight | **Neutral** ▼ | Overweight

Keeping room to act

- Cash yields remain reasonably attractive, although short-term bonds offer somewhat better income opportunities.

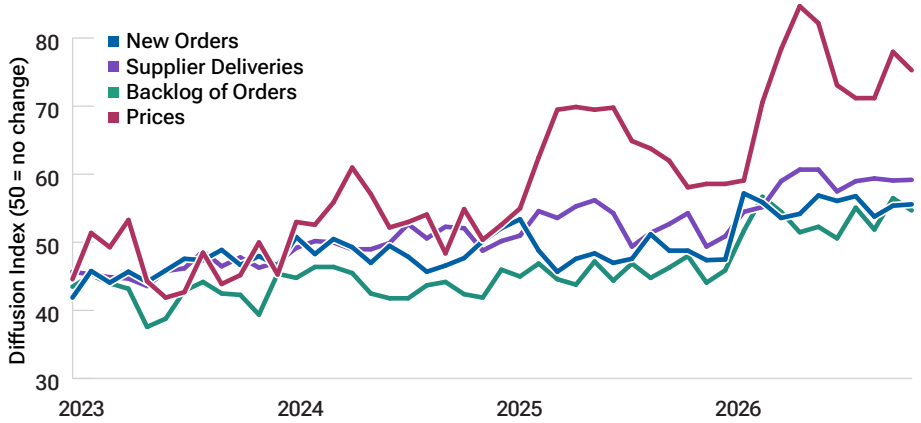
FOR INVESTMENT PROFESSIONALS ONLY. NOT FOR FURTHER DISTRIBUTION.

Key themes

Growth meets scarcity

Resilient growth and broadening earnings continue to favour equities over bonds. However, strong demand for power, infrastructure, and skilled labour is increasingly testing supply constraints, slowing the pace at which investment translates into additional capacity. While these bottlenecks create pricing power for some companies, they also risk sustaining inflation and keeping bond yields elevated. The key question is whether supply can catch up with demand before these pressures become a headwind to growth.

(Fig. 1) Demand outpaces supply, sustaining price pressures

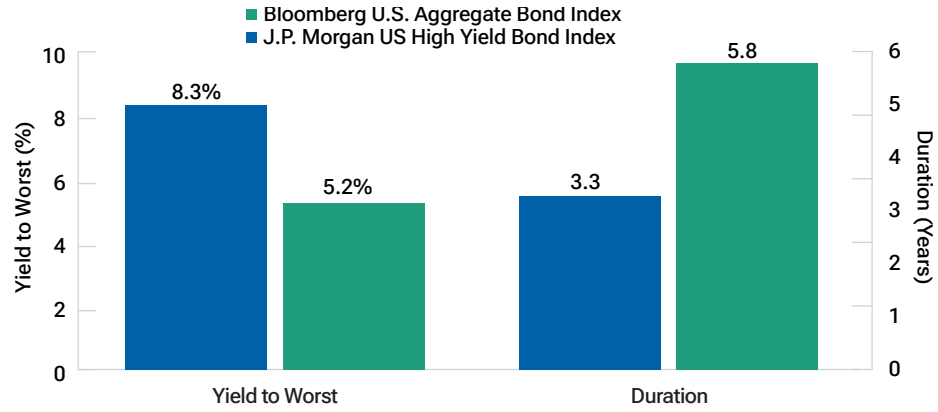


As of October 31, 2026.
Source: ISM Manufacturing PMI® sub-indexes, monthly, via Macrobond. Please see the Additional Disclosures for additional legal notices and disclaimers.

Carry without the duration

Isolated stress among some lower-quality borrowers, including those tied to the expanding AI financing ecosystem, does not necessarily signal a broader credit downturn. Resilient growth and stabilising credit fundamentals continue to support high yield, with attractive income providing a cushion against volatility even without further spread tightening. Shorter duration also reduces sensitivity to upward pressure on Treasury yields, reinforcing our relative preference for high yield over government bonds.

(Fig. 2) High yield can offer more income with less rate sensitivity



As of October 31, 2026. You cannot invest directly in an index.
Sources: J.P. Morgan and Bloomberg Index Services Limited. Please see the Additional Disclosures for additional legal notices and disclaimers.

Equities: Regions

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Region	Positioning	Rationale
US	Underweight · Neutral · **Overweight** ▼	Strong earnings and resilient growth support U.S. equities, although concentrated AI leadership warrants selectivity. More attractive valuations abroad are tempered by higher energy costs and tighter monetary policy.
Europe ex-UK	**Underweight** ▼ · Neutral · Overweight	Fiscal expansion and improving manufacturing support European equities, but modest growth, higher energy costs and tighter monetary policy continue to constrain the upside.
UK	Underweight · Neutral · **Overweight** ▼	Attractive relative valuations, healthy earnings, and a defensive sector mix across financials, healthcare, and energy are supportive, while fiscal concerns and inflation continue to weigh on sentiment.
Japan	Underweight · Neutral · **Overweight** ▼	Earnings and returns on equity are improving, but strong performance has stretched valuations, particularly in technology. A stronger yen and tighter monetary policy add risk.
Australia	**Underweight** ▼ · Neutral · Overweight	Commodity exposure and a resilient banking sector offer some support, but elevated valuations, weaker earnings momentum, and tighter monetary policy into a slowing economy weigh on the outlook.
Emerging Markets (EM)	Underweight · Neutral · **Overweight** ▼	Attractive valuations and exposure to AI infrastructure demand support the outlook, although further Fed tightening, dollar strength, and concentrated AI leadership pose risks.
China	Underweight · Neutral · **Overweight** ▼	Low valuations and long-term growth in technology, from AI to semiconductors, are supportive, but a weak property sector, low consumer confidence, and targeted rather than broad stimulus limit the recovery.

Equities: Styles and Market Cap

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Style and Market Cap	Positioning	Rationale
Global Growth vs. Value		For growth, earnings growth is exceptional, supported by continued AI investment and adoption. Improved relative valuations are supportive, though elevated expectations and questions around the returns on AI capital expenditure remain risks. For value, broadening earnings and cyclical strength remain supportive, including some beneficiaries of AI investment. However, valuations have become less compelling.
Global Small- vs. Large-Cap		For small-caps, broadening growth, fair valuations and capital-markets activity remain supportive. Higher rates remain the key risk for smaller, more leveraged companies. For large-caps, fundamentals remain very strong and are broadening outside mega-cap leaders, but elevated valuations and expectations leave less room for disappointment.

Bonds: Regions and Sectors

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Regions and Sectors	Positioning	Rationale
Euro Government Bonds	▼ **Underweight** · Neutral · Overweight	The energy shock is likely to push up inflation, amplified by German fiscal expansion and companies' generally solid pricing power. However, fiscal and political strains in France may make the ECB more cautious, given past hiking cycles that had unintended consequences. We have therefore reduced our underweight to European government bonds.
Euro Inflation Linked	Underweight · ▼ **Neutral** · Overweight	Inflation expectations as reflected in break-even rates remain anchored, while inflation pressures driven by elevated and volatile energy prices remain a risk.
Euro Investment-Grade (IG) Corporates	Underweight · ▼ **Neutral** · Overweight	Yields are attractive and credit fundamentals are supportive, but tight spreads and continued upward pressure on long-term rates warrant a cautious stance.
US IG Aggregate	Underweight · ▽→▼ **Neutral** · Overweight	Higher yields have improved valuations, and we have moved to neutral by adding U.S. investment-grade bonds. Tight spreads, a flat yield curve and heavy AI-related issuance remain headwinds.
Global High Yield	Underweight · ▼←▽ **Neutral** · Overweight	Higher Treasury yields and wider spreads have improved income potential, while solid fundamentals and a higher-quality issuer mix provide support. Heavy corporate issuance remains a potential headwind.
EM Dollar Sovereigns	▼←▽ **Underweight** · Neutral · Overweight	Attractive income, supportive fundamentals, and reform momentum in Latin America offer diversification from AI-related credit risks, although strong performance has reduced the valuation appeal. We have moved to underweight to help fund the addition to high-quality U.S. and European bonds.
EM Local Currency Bonds	Underweight · Neutral · ▼ **Overweight**	Attractive income and an expected weakening in the U.S. dollar are supportive, while higher-for-longer global rates and elevated commodity prices are risks for EM currencies.
EM Corporates	▼←▽ **Underweight** · Neutral · Overweight	The sector offers a shorter duration than EM dollar sovereigns, and total yields remain attractive relative to some other fixed income sectors. However, spreads are tight, and we have moved to underweight to help fund the addition to high-quality U.S. and European bonds.

Currency

▼ = this month. ▽ = last month (not shown if positioning is unchanged).

Currency	Positioning	Rationale
EUR vs. USD		Current valuation, German fiscal expansion and ECB hikes support the EUR. Heightened political uncertainty in France, geopolitical uncertainty and the potential for a flight-to-quality to the USD during periods of stress could support the USD, but on balance we favour the EUR.
EUR vs. JPY		We remain neutral on the yen. Elevated energy costs could push up inflation in Japan, leading the Bank of Japan to adjust its monetary policy. As a safe-haven currency, the yen can find support during periods of heightened geopolitical uncertainty and currency intervention.

European Investment Committee



Matt Bance
Portfolio Manager, Multi-Asset Division



Yoram Lustig
Head of Global Investment Solutions, EMEA



Toby Thompson
Portfolio Manager, Multi-Asset Division



Elias Chrysostomou
Associate Portfolio Manager, Equity Division



Tobias Mueller
Director of Research, International Equities



Michael Walsh
Portfolio Manager, Multi-Asset Division



Andrew Keirle
Portfolio Manager, Emerging Markets Local Currency Bonds



Ken Orchard
Head of International Fixed Income



Tomasz Wieladek
International Economist

INVEST WITH CONFIDENCE®

T. Rowe Price identifies and actively invests in opportunities to help people thrive in an evolving world, bringing our dynamic perspective and meaningful partnership to clients so they can feel more confident.

Risks

All investments are subject to risk, including possible loss of principal. Stock prices can fall because of weakness in the broad market, a particular industry, or specific holdings. Fixed-income securities are subject to credit risk, liquidity risk, call risk, and interest rate risk. As interest rates rise, bond prices generally fall. Diversification does not assure a profit or protect against a loss in a declining market.

Additional Disclosures

Any specific securities identified and described are for informational purposes only and do not represent recommendations.

These views are informed by a subjective assessment of the relative attractiveness of asset classes and subclasses over a 6- to 18-month horizon.

Fig. 1: New Orders >50 = growing orders; Supplier Deliveries >50 = slower deliveries; Backlog >50 = growing backlogs; Prices >50 = rising input prices.

Visit troweprice.com/marketdata for additional legal notices & disclaimers.

Important Information

This material is being furnished for general informational and/or marketing purposes only. The material does not constitute or undertake to give advice of any nature, including fiduciary investment advice. Prospective investors are recommended to seek independent legal, financial and tax advice before making any investment decision. T. Rowe Price group of companies including T. Rowe Price Associates, Inc. and/or its affiliates receive revenue from T. Rowe Price investment products and services. **Past performance is not a guarantee or a reliable indicator of future results.** The value of an investment and any income from it can go down as well as up. Investors may get back less than the amount invested.

The material does not constitute a distribution, an offer, an invitation, a personal or general recommendation or solicitation to sell or buy any securities in any jurisdiction or to conduct any particular investment activity. The material has not been reviewed by any regulatory authority in any jurisdiction.

Information and opinions presented have been obtained or derived from sources believed to be reliable and current; however, we cannot guarantee the sources' accuracy or completeness. There is no guarantee that any forecasts made will come to pass.

The views contained herein are as of November 2026 and are subject to change without notice; these views may differ from those of other T. Rowe Price group companies and/or associates. Under no circumstances should the material, in whole or in part, be copied or redistributed without consent from T. Rowe Price.

The material is not intended for use by persons in jurisdictions which prohibit or restrict the distribution of the material and in certain countries the material is provided upon specific request. It is not intended for distribution to retail investors in any jurisdiction.

DIFC—Issued in the Dubai International Financial Centre by T. Rowe Price International Ltd which is regulated by the Dubai Financial Services Authority as a Representative Office. For Professional Clients only.

EEA—This material is issued and approved by T. Rowe Price (Luxembourg) Management S.à r.l. 35 Boulevard du Prince Henri L-1724 Luxembourg which is authorised and regulated by the Luxembourg Commission de Surveillance du Secteur Financier. For Professional Clients only.

South Africa—Issued in South Africa by T. Rowe Price International Ltd (TRPIL), Warwick Court, 5 Paternoster Square, London EC4M 7DX, is an authorised financial services provider under the Financial Advisory and Intermediary Services Act, 2002 (Financial Services Provider (FSP) Licence Number 31935), authorised to provide "intermediary services" to South African Investors. TRPIL's Complaint Handling Procedures are available to clients upon request. The Financial Advisory and Intermediary Services Act Ombud in South Africa deals with complaints from clients against FSPs in relation to the specific services rendered by FSPs. The contact details are noted below: Telephone: +27 12 762 5000, Web: www.faisombud.co.za, Email: info@faisombud.co.za

Switzerland—Issued in Switzerland by T. Rowe Price (Switzerland) GmbH, Talstrasse 65, 6th Floor, 8001 Zurich, Switzerland. For Qualified Investors only.

UK—This material is issued and approved by T. Rowe Price International Ltd, Warwick Court, 5 Paternoster Square, London EC4M 7DX which is authorised and regulated by the UK Financial Conduct Authority. For Professional Clients only.

© 2026 T. Rowe Price. All Rights Reserved. T. ROWE PRICE, INVEST WITH CONFIDENCE, the Bighorn Sheep design, and related indicators (see troweprice.com/ip) are trademarks of T. Rowe Price Group, Inc. All other trademarks are the property of their respective owners. Use does not imply endorsement, sponsorship, or affiliation of T. Rowe Price with any of the trademark owners.

CON02322078
202611-6002250